

MINING AGREEMENT

Between

LONE STAR CEMENT CORPORATION

and

LAFARGE CEMENT OF NORTH AMERICA LTD.

MINING AGREEMENT dated *March 22*, 1967
between Lone Star Cement Corporation, a Maine corporation
(hereinafter called "Lone Star"), and Lafarge Cement of
North America Ltd., a British Columbia corporation (herein-
after called "Lafarge"),

W I T N E S S E I H :

That for and in consideration of their respec-
tive promises as herein contained, and upon all the terms
and subject to all the conditions hereof, Lone Star re-
tains and engages Lafarge at Lone Star's direction to
extract and save the materials described herein from Lone
Star's properties and operations on Texada Island, British
Columbia, Canada ("the Subject Property") and Lafarge agrees
to perform such work on the Subject Property in good and
minerlike fashion, during the term of this Agreement.



3/10/67

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Clause 1. Definitions and Interpretation

(a) Definitions

In this Agreement the following expressions and words shall have the meanings assigned to them in this Clause except where the subject matter or context otherwise requires:

"month" means calendar month.

"6 inch rock" means crusher run of crushed limestone rock of cement grade all of which passes through a screen having apertures measuring 6 inches square.

"term of this Agreement" and "term" shall have the meaning attributed thereto in Clause 2.

"delivery point" means the barge mooring and loading facilities situate on or fronting District Lot 499, Texada Island District, Texada Island, British Columbia.

"3/4 inch rock" means crushed limestone rock of cement grade all of which passes through a screen having apertures measuring 3/4 of an inch square.

"ton" means a short ton of 2,000 pounds.

"year" means calendar year and "years" shall have a corresponding meaning.

(b) Dollar Amounts

All dollar amounts stated in this Agreement are in United States of America dollars.

(c) Interpretation

This Agreement shall be interpreted according to the laws of the Province of British Columbia. The

headings to any Clause or subclause shall not affect the interpretation of this Agreement.

Clause 2. Term

The term of this Agreement shall commence on January 1, 1968 and shall terminate on December 31, 1973 provided that at Lone Star's election Lone Star shall have the right, exercisable by giving notice in writing to Lafarge on or before January 1, 1973, to extend the term of this Agreement for an additional period to commence January 1, 1974 and to terminate on the earlier of (i) the exhaustion of limestone rock materials from the Subject Property or (ii) the date that commercially feasible operations can no longer be conducted on the Subject Property for reasons reasonably appearing to be permanent and affecting like properties on Texada Island. If Lone Star extends the term as aforesaid, then on 6 months' written notice given after January 1, 1974 Lone Star may terminate this Agreement without further obligation on the part of either party.

Clause 3. Location of the Property

The Subject Property is that part of said District Lot 499 shown outlined in red on Exhibit A attached hereto and hereby made a part hereof.

Clause 4. Materials and Quantity

(a) During the term Lafarge shall extract, save and reduce by crushing, limestone rock found on the Subject

Property. Lafarge's work hereunder shall be performed in good and minerlike fashion by methods customarily used by Lafarge in British Columbia in the quarrying of limestone rock. For purposes of this Agreement Lafarge shall be deemed to have performed in good and minerlike fashion if it shall have used the same (or equivalent) equipment and methods currently and generally applied by Lafarge in the quarrying of similar materials from like properties held by Lafarge.

- (b) Lone Star shall direct Lafarge from time to time and at least 30 days in advance of each month during the term as to the quantities of limestone rock to be extracted from the Subject Property in such month and as to the respective quantities of ^{3 1/4} 6 inch rock and 3/4 inch rock to be produced by Lafarge in order that Lafarge may make suitable plans and arrangements for the extraction and crushing of such rock on the Subject Property. Lafarge shall not be obligated to extract and crush more than 35,000 tons of 6 inch rock in any one month, nor more than 300,000 tons of ^{3 1/4} 6 inch rock in any one year and the quantity of 3/4 inch rock that Lafarge shall be obligated to extract and crush shall be not more than 75,000 tons in any one month nor more than 600,000 tons in any one year.

- (c) In recognition of Lafarge's significant investment made to ensure its ability to perform this Agreement

and in order to provide reasonable assurance that Lafarge will recover such investment during the term of this Agreement, Lone Star shall so direct Lafarge to produce hereunder at least 180,000 tons of 6 inch rock in each year during the term of this Agreement until the earlier of (i) the exhaustion of limestone rock materials from the Subject Property and (ii) the date that commercially feasible operations thereon can no longer be conducted for reasons reasonably appearing to be permanent and affecting like properties on Texada Island.

Clause 5. Handling of Extracted Materials

- (a) As part of its obligations hereunder Lafarge shall perform all work necessary to extract, crush and load on barges the ^{3/4} inch rock and 3/4 inch rock from the Subject Property, under the specifications embodied herein. All such work shall be performed in good and minerlike fashion in accordance with standards customarily followed by Lafarge in the conduct of operations for its own account on properties held by it.
- (b) Lone Star shall arrange for all barges required for the transportation of rock to be available at the delivery point for loading in good time so as to enable

Lafarge to comply with Lone Star's directions given under Clause 4(b) and to enable the operations of Lafarge on and about the Subject Property to be carried on in an orderly manner and with a minimum of handling.

Clause 6. Compliance with Laws and Regulations

Lafarge shall comply with all applicable laws and regulations, including but not limited to safety requirements, in respect to its operations at the Subject Property and shall indemnify Lone Star from any charges or penalties resulting from any breach by Lafarge of such laws and regulations.

Clause 7. Specifications; Reports of Extracted Materials

As and when loaded on barges as herein provided the 6 inch rock and the 3/4 inch rock shall conform to the following specifications:

Calcium carbonate	92% \pm 2%
Moisture content	2.5% maximum
Approximate bulk density	3,000 lbs. per cubic yard
Na ₂ O	0.30% maximum
K ₂ O	0.15% maximum

Lafarge shall deliver the following reports at the indicated intervals:

(a) Tonnage reports on each barge as loaded. Such reports shall be submitted in such form and in such detail as Lone Star may reasonably request.

(b) Annual reports of volumetric measurement of extracted limestone. Such reports shall be subject to independent measurement by or on behalf of Lone Star. For purposes of such measurement the specific gravity of extracted limestone is agreed to be 2.7. Unresolved discrepancies in volumetric measurement as conducted by Lafarge and as conducted by or on behalf of Lone Star shall be submitted to an umpire whose determination shall be final if within the measurements of the two parties and, if not within said measurements, the measurement of the party nearer to the umpire's measurement shall be final. The party whose measurement is furthest from the umpire's shall pay the cost of the umpire.

Clause 8. Testing and On Site Activities

Lone Star shall have the right to make tests at any time and from time to time on the Subject Property in respect of any extracted materials. Lone Star shall conduct any such tests and any other activities on the Subject Property in a manner that will not interfere with the normal operations of Lafarge under this Agreement and will not per-

mit others to carry on any activities on the Subject Property that might so interfere with such normal operations of Lafarge.

Clause 9. Payments

(a) 3/4 Inch Rock

For its services in extracting and crushing 3/4 inch rock from the Subject Property Lafarge will be paid the sum of \$.78 per ton.

(b) 6 Inch Rock

For its services in extracting and crushing ~~3/4~~⁶ inch rock from the Subject Property Lafarge will be paid,

- (i) during the first year of the term of this Agreement, the sum of \$.78 per ton, and
- (ii) during each subsequent year of the term, a sum per ton equal to Lafarge's average per ton cost of operations associated with the production of limestone rock (regardless of size or quality) from Lafarge's limestone quarrying operations on and in the vicinity of said District Lot 499 (including operations hereunder on the Subject Property) during the preceding year.

(c) Calculation of Average Per Ton Cost

* See Amendment

Lafarge's average per ton cost of operations as aforesaid in any year shall be calculated by:

- (i) determining, in Canadian funds, the total cost of Lafarge's operations referred to in sub-clause (b) above in the manner indicated in Exhibit B attached hereto and adding thereto (for a fee) an amount equal to 3.5% thereof;
- (ii) the sum arrived at in the foregoing section shall be divided by the total number of tons of limestone rock extracted and saved in such operations during the year;
- (iii) the quotient obtained in the preceding section shall be converted from Canadian funds into United States of America funds at the average rate of exchange quoted by Lafarge's bankers in Vancouver, British Columbia, on the last day of such year;
- (iv) from the figure determined in the preceding section an amount equal to 13% of such figure shall be deducted and the result is Lafarge's average per ton cost of operations hereunder for such year;
- (v) provided, however, that from and after the

date of termination of the term of the Processing Agreement of even date herewith between the parties relating to the processing of 3/4 inch rock (x) the foregoing calculations shall be amended by substituting the figure "15%" for the figure "3.5%" where it appears in section (i) above, (y) subclause (a) above shall be deleted✓ and (z) references in subclause (b) above to 6 inch rock shall be changed to refer to both 6 inch rock and 3/4 inch rock.

(d) Measurement

All weights shall be taken at the delivery point. Rock not loaded on vessels within 30 days of extraction will be paid for on estimates of the tonnage thereof made jointly by Lafarge and Lone Star.

(e) Terms of Payment

All charges payable by Lone Star to Lafarge in respect of Lafarge's services hereunder shall be paid on the 10th day of the month following the rendering of the same. All payments shall be made by check or bank draft payable at par in Vancouver, British Columbia, in United States of America funds and any payments in arrears shall bear interest from the due

date thereof until paid at the rate of 6% per annum. Payments shall be made as invoiced and not be withheld pending settlement of disagreement as to weights or other claims. Adjustments resulting from any such settlement shall be paid forthwith.

Clause 10. Liens

Lafarge waives all claims to liens on the Subject Property or any materials extracted under this Agreement, and save as hereinafter mentioned, shall promptly discharge any such lien attaching for the benefit of any subcontractor, laborer, supplier or other claimant who shall have furnished services or materials at Lafarge's request. If it is impossible for Lafarge to effect the removal of any such lien, Lafarge shall post with Lone Star such security as Lone Star may reasonably request to indemnify Lone Star against any loss or damage it may suffer as a result of such lien.

Clause 11. Insurance; Indemnity

- (a) During the term hereof Lafarge shall maintain in force liability and property damage insurance in form and amounts usual with companies carrying on operations in British Columbia similar to those contemplated by this Agreement.
- (b) Lafarge agrees to and does hereby indemnify Lone

Star and hold Lone Star harmless against and from:

(i) any and all claims and liabilities, including costs and expenses, for bodily injury to, or death of, persons (including claims and liabilities for care or loss of services in connection with any bodily injury or death),

(ii) any and all claims and liabilities, including costs and expenses, for loss or destruction of or damage to any property belonging to Lafarge or others (including claims or liabilities for loss of use of any property), and

(iii) loss (including loss of use) or destruction of or damage to (A) materials, supplies, equipment and other property necessary for the work hereunder or (B) any property of Lone Star (not including the Subject Property),

resulting directly or indirectly from Lafarge's performance under this Agreement; provided, however, that such indemnity shall not extend to (i) any claims and liabilities for injury or death to persons resulting from the negligence or wilful misconduct of Lone Star or its agents, servants or contractors or (ii) any loss, destruction or damage (including claims and liabilities therefor) resulting from the negligence or

wilful misconduct of Lone Star or its agents, servants or contractors.

Clause 12. Force Majeure

(a) Force Majeure Events

In case Lafarge shall be hindered or prevented from performing its services under this Agreement or if Lone Star shall be hindered or prevented from removing rock in vessels from Texada Island by reason of

any force majeure event such as fire, explosion, earthquake, storm, flood, drought, unavoidable accident, embargo, war or other hostilities, riot, insurrection, revolution, civil commotion, sabotage, Act of God or the enemies of the United States of America or of Canada, strike, lockout or other labor disturbance, shortage of vessels, perils of the sea, barratry, or other interruption in transportation facilities, mechanical breakdown, inability to obtain supplies, fuel or power, Governmental demand, action, regulation or requirement, or interference, prohibition or restriction by any competent Government or any officer or agent thereof having jurisdiction in the premises, restraint by injunction or other

legal process from which the party restrained cannot reasonably relieve itself by giving security or other procedure, or

the failure by the other party to perform one or more of its obligations under this Agreement or

any other cause whatsoever that is beyond a party's reasonable control whether or not of the character hereinbefore specifically set forth, then the party so hindered or prevented shall not be liable to the other for resulting failure to carry out its obligations in so performing, accepting delivery or processing as aforesaid and any such obligation, so far as may be necessary, shall be suspended during the period of such hindrance or prevention and such obligation (subject as hereinafter appearing) shall be cancelled in respect of such part of the limestone rock as would have been dealt with hereunder but for such suspension.

(b) Notice

In any event as aforesaid the party affected shall give to the other immediate notice (by telephone, telegraph or telex confirmed by letter) of the cause of

hindrance or prevention, the date of commencement thereof and its probable duration and shall give a further notice in like manner after such cause shall cease to have effect.

(c) Mitigation

The party affected shall endeavor with due diligence to resume compliance with its said obligations at the earliest date and the parties will do all they reasonably can to overcome or mitigate the effects of any such event upon the regular operation of this Agreement.

Clause 13. Failure of Lone Star to Extend Term

See Amendment

If Lone Star does not exercise the right to extend the term of this Agreement beyond December 31, 1973 as provided in Clause 2, Lone Star will pay to Lafarge 50% of Lafarge's unrecovered capital cost of the alterations and additions described in Exhibit C attached hereto and hereby made a part hereof. Said Exhibit C comprises all alterations and additions to be made by Lafarge for the express purpose of performing work hereunder for Lone Star. Such unrecovered capital cost shall be calculated in the manner prescribed in said Exhibit C and the 50% thereof shall be paid by Lone Star upon the amounts

being determined. On or before January 1, 1968 Lafarge shall deliver to Lone Star a statement, certified by a financial officer of Lafarge, of the costs incurred and expected to be incurred to perform the alterations and additions described in Exhibit C and such supporting information as Lone Star may reasonably request.

Clause 14. Audit

All capital items and items of cost claimed by Lafarge to be applicable to this Agreement shall be subject to audit on behalf of Lone Star by independent chartered or public accountants.

Clause 15. Arbitration

Any dispute hereunder in relation to

(i) charges or other amounts payable hereunder;

or

(ii) interpretation of any financial provisions of this Agreement,

will be settled by arbitration by a panel of three arbitrators in accordance with the Commercial Arbitration Rules of the American Arbitration Association and judgment upon the award of the arbitrators may be entered in any court having jurisdiction over the parties hereto. The third arbitrator or chairman of the panel shall always be an

independent chartered or certified public accountant duly licensed to practice as such in the Province of British Columbia or the State of Washington. Such arbitration shall take place in Seattle, Washington, or at such other place as the parties hereto may agree upon. No award cancelling this Agreement shall be made by any arbitrators appointed hereunder.

Clause 16. Parties are Independent Contractors

It is understood that the parties hereto are independent contractors and nothing in this Agreement contained shall constitute the parties an association or partners or joint venturers.

Clause 17. Prior Agreements

This Agreement supersedes any prior and contemporaneous agreements and understandings, whether oral or written, relating to the subject matter hereof.

Clause 18. Waivers

No waiver by either party of any breach or default hereunder of the other party or the giving of time for performance shall be deemed to be a waiver of any subsequent breach or default.

Clause 19. Notices

Notices and other communications under this Agree-

ment shall be given in writing and delivered or mailed,
first class air mail, to the parties as follows:

If to Lone Star:

Lone Star Cement Corporation
100 Park Avenue
New York, New York 10017, U.S.A.

If to Lafarge:

Lafarge Cement of North America Ltd.
1051 Main Street
Vancouver 4, British Columbia
Canada

or to such other address as the intended recipient shall
have specified by notice as provided in this Clause.

Clause 20. Succession

This Agreement shall be binding upon and inure
to the benefit of the successors and assigns of the re-
spective parties hereto.

IN WITNESS WHEREOF, the parties hereto have caused
this Agreement to be duly executed under their respective
corporate seals as of the date first above written.

See memo Clause 21
LONE STAR CEMENT CORPORATION

By /S/ Robert W. Hutton SEAL

~~By~~ Regional Vice President

LAFARGE CEMENT OF NORTH AMERICA LTD.

By /S/ James Sinclair

By /S/ K. R. Dwerryhouse Chairman of the Board
Secretary SEAL

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LAFARGE CEMENT OF NORTH AMERICA LTD.

SKETCH MAP SHOWING PART OF LOT 499,
TEXADA ISLAND DISTRICT, BRITISH COLUMBIA.

Scale : 1" = 400'

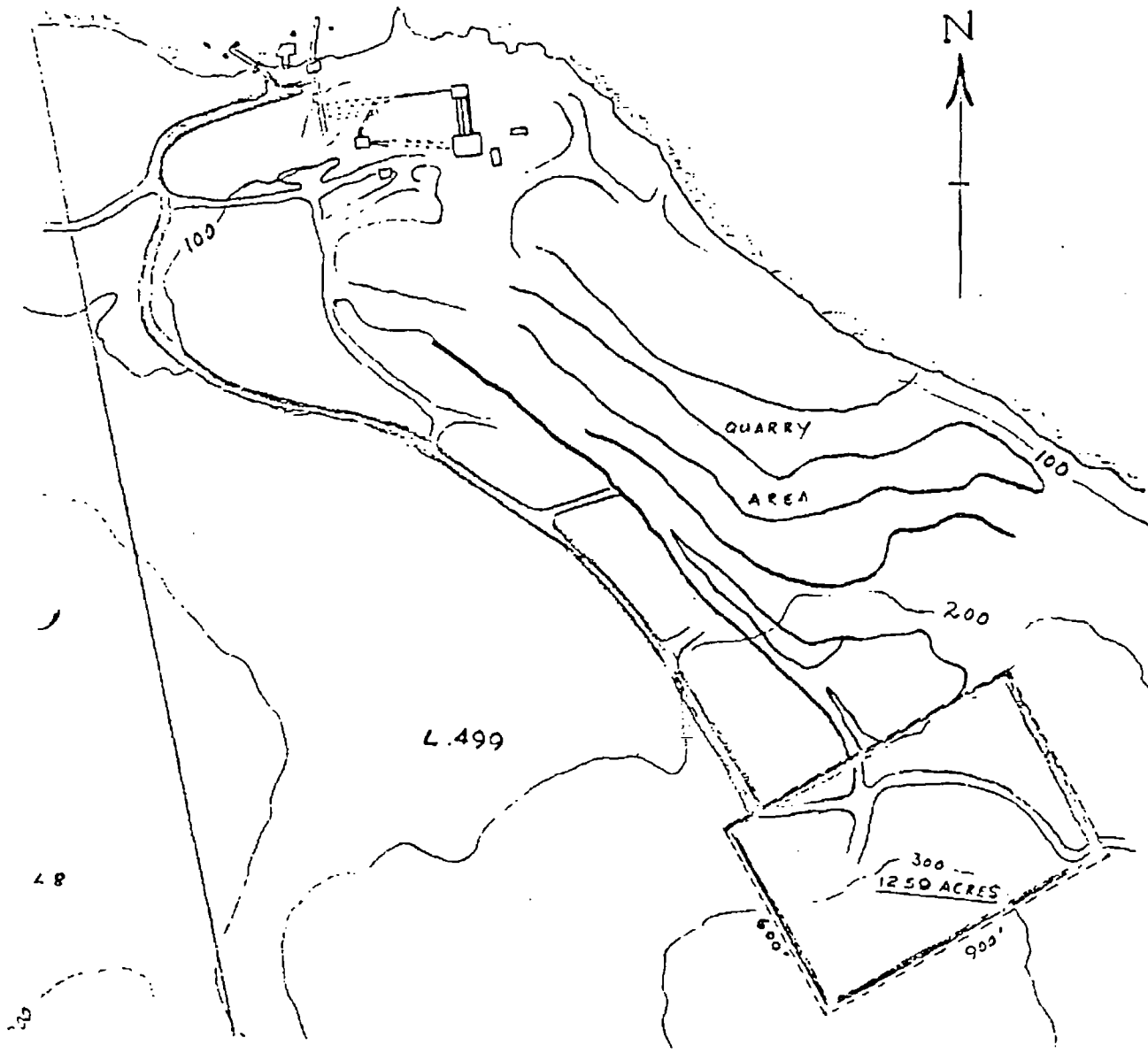


EXHIBIT B
(Referred to in Clause 9)

The following costs incurred in or allocable to operations of Lafarge at its properties on Texada Island, British Columbia, Canada and at properties of Lone Star on Texada Island, British Columbia, Canada determined in accordance with generally accepted accounting principles consistently followed by Lafarge:

- I. Labor
 - Power; Fuel
 - Explosives
 - Spare parts consumed
 - Operating and maintenance supplies
 - Outside maintenance
 - Outside production
- II. Direct quarry overhead costs
(excluding all home office overhead)
- III. Depreciation on current basis
- IV. Interest charges not to exceed 2% applicable to financing of new facilities required to perform under the Mining Agreement as set out in Exhibit C to the Mining Agreement.

EXHIBIT C
(Referred to in Clause 13)

Description of Alterations and Additions
all to be effected or installed upon
District Lot 499, Texada Island District,
British Columbia

Alterations of and additions to existing equipment, conveyors and chutes for the purpose of stock-piling and reclaiming 6 inch rock, including:

1. Installation of equipment to divert and carry Lone Star's 6 inch rock to the new 6 inch rock stock-pile.
2. Installation of a stacker of 200 tons per hour capacity for stock-piling 6 inch rock.
3. Installation of a reclaiming system of 1000 tons per hour capacity at the 6 inch rock stock-pile including construction of a tunnel and the installation of feeders and conveyors.

Manner of Calculating Unrecovered Capital Cost

Take: The original capital outlay required to effect and install the above described items, including replacements thereto.

Deduct the total of:

- (a) Depreciation on a straight line basis at the rate of 5% per annum commencing on date of the outlay or January 1, 1968 (whichever is later) to December 31, 1973.
- (b) Amounts recovered on disposals prior to December 31, 1973, including recoveries under insurance policies.

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(c) Salvage value of the above described items on hand at December 31, 1973 on an "as is, where is" basis.

Lafarge shall give Lone Star reasonable opportunity to confirm the salvage value of any item under the aforesaid deduction (c). If Lone Star thereafter promptly notifies Lafarge of disagreement with respect to the salvage value assigned to any item Lafarge shall promptly advise Lone Star of a final salvage value for such item which shall be binding upon the parties. Lone Star shall have the right to purchase such item, by notice given within 30 days after receipt of such advice, for a price equal to such final salvage value.